



Saskatchewan forest industry comeback

After some very tough years, the Saskatchewan forest industry is starting to come back to life, following a reallocation of the forest resource. But not everyone is happy with the end result.

By Tony Kryzanowski

The closure of the Weyerhaeuser pulp mill in Prince Albert, Saskatchewan, in 2006 resulted in the loss of about 700 direct jobs. The company also closed two sawmills and a plywood mill, delivering a serious blow to the province's forest industry.

But that was then and this is now—and as the saying goes, with change, comes opportunity. The closures of Weyerhaeuser's pulp mill in Prince Albert and sawmill in Big River in 2006 freed up 3.3 million hectares from the Prince Albert Forest Management Area (FMA) for reallocation.

Until recently, the province's forest sector faced dark days, according to Bob Ruggles, Saskatchewan Associate Deputy Minister with Energy and Resources. He says 2006 was particularly bad, with half of the province's forest industry shutting down due to the market downturn. He agrees that it felt like everything had collapsed over a very short period of time. But the forestry resource was, of course, still there.

“Weyerhaeuser operated successfully for 20 years and ran the pulp mill and associated sawmills,” says Ruggles. “So we knew we had a good and competitive wood supply to run similar facilities.

“Although they packed up their bags and left town, we were always certain that there was a company that would be able to take this on and start it up again. We are certainly seeing a lot more interest in that in the last year or so.”

Since 2006, the province has been engaged in a process of reallocating the forest resource—rewarding those companies that have suffered through the tough times, and the companies with a track record in the forest industry that have made investments in the province when others were downsizing.

However, some new arrivals like EACOM Timber have discovered that the simple purchase of an idled sawmill does not result in an automatic forest allocation. The company purchased the idled Big River sawmill. While the company has been left out of the province's forest reallocation plans, EACOM is not accepting the province's decision without a fight.

Company CEO Rick Doman told Logging and Sawmilling Journal that “the Government of Saskatchewan, we believe, did not treat EACOM in a proper manner. The company is in the process of dealing with this matter in the courts. We hope that the court process will allow the company to have its concerns heard through the justice system. The company believes the government is not open for business with EACOM.”

Doman has considerable experience in the B.C. forest industry, and EACOM Timber recently purchased seven sawmills with an equity interest in an eighth from Domtar, all located in Eastern Canada.



Ruggles says the approach the province took in reassigning the Prince Albert FMA was to make sure that existing businesses were taken care of in terms of an economic wood supply. Secondly, the province wanted to create an opportunity for central Saskatchewan First Nations to benefit more from the industry.

Doman says EACOM was planning to start the Big River sawmill in June 2010 with logging operations to start early last year. The company intended to have about 200 people working in the sawmill on two shifts, and between 200 and 300 people working in logging operations. He adds that EACOM did have an aboriginal component included as part of its plan to restart the sawmill.

“The company planned to employ and work with First Nations communities and the local communities for sawmill operations within a short time after the logging and sawmill restarted,” he says.

Prior to the forest reallocation, EACOM Timber provided a business proposal to Saskatchewan Energy and Resources Minister, Bill Boyd.

“We understood once the Ministry received it we would then have a proper meeting to discuss our proposal in detail,” says Doman. “We were never provided with the opportunity to have that meeting. We received no wood supply and we have been forced due to the government’s decisions to look for other potential options for the sawmill.”

As to the sawmill’s needs, Doman acknowledged that the sawmill could use up to 1.2 million cubic metres per year of softwood logs if operating on three shifts. The request was for only enough wood to operate the sawmill on two shifts “so that other users could be provided a softwood timber supply also.”

Doman says that he made several requests to the government for a follow-up meeting after the company submitted its business proposal, but received no positive response from the province.

The province has really had no communication with EACOM about its plans for the Big River sawmill, Ruggles says.

“EACOM owns the mill there (Big River) and they have not indicated anything to government in terms of future plans for it,” he says. Media reports claiming sources close to Minister Boyd indicate that EACOM’s request for a large forest allocation and its lack of a track record in the forest industry swayed the government to opt for a different reallocation option. Doman has said that the government did describe the business proposal submitted to them by EACOM as deficient.

On another front, it is uncertain at the moment if the mothballed pulp mill will re-open, although negotiations continue. After Weyerhaeuser closed the mill, it became part of Domtar as part of a sales deal between the two companies. The province, for its part, has taken one of the unknowns out of the equation.

“One of the first questions that any interested buyer asks is if there is certainty of a long term fibre supply and we have been able to indicate that there is,” says Ruggles. “That is a big part of any decision.” There is a pulp wood volume of about 660,000 cubic metres being offered by the province, in hopes that there will be a buyer for the pulp mill.



“With the reallocation of wood supplies, we are in a way better position than we were before,” says Ruggles. “After Weyerhaeuser closed, a couple of our other mills reduced operation, partly because their wood supplies weren’t economic. They weren’t going into the far northern reaches of their supply areas because it was too expensive. So we wanted to make sure that the rest of our businesses have an economic wood supply so that when markets go down a bit, they can stay competitive.”

The major change in the province’s forest reallocation is the signing of an agreement with a new entity called Sakaw Askiy Forest Management Inc., which will assume management of the old Prince Albert FMA held in name by Weyerhaeuser and managed by Domtar. Sakaw shareholders include the Agency Chiefs Tribal Council, Carrier Lumber, Edgewood Products, L&M Wood Products, Meadow Lake Mechanical Pulp, Montreal Lake Cree Nation, NorSask Forest Products and Tolko Industries.

The management company will not engage in harvesting, hauling or silviculture, but will be responsible for sustainable allocation of the resource to the six forest companies and two First Nations that make up the partnership. A small staff will handle day to day operations, and a general manager has been hired.

Ruggles says the province investigated other management models in Ontario, Alberta and B.C., but ultimately settled on a made-in-Saskatchewan approach that suits local needs.

“I think having two First Nations major shareholders as part of the company is pretty unique because neither one has processing facilities but they have a substantial allocation,” says Ruggles. “What that has done is it has gotten these two First Nations groups into business arrangements with other companies that do have facilities. It is working out quite well.”

The sale of Weyerhaeuser’s sawmill in Carrot River and plywood plant in Hudson Bay resulted in its share of the wood supply designated for those facilities being reallocated to new owner, Edgewood Products, a subsidiary of C & C Wood Products headquartered in Quesnel, B.C. Edgewood Products says it intends to reopen the Carrot River sawmill on in July and the Hudson Bay plywood mill this fall.

For its part, Weyerhaeuser still owns an oriented strandboard plant in Hudson Bay. After placing the OSB plant in mothballs for 2 ½ years, it began operating again on November 1, 2010—although the company predicts that it will only run at 60 percent capacity throughout 2011.

As part of the Prince Albert FMA reallocation, the province retained 200,000 cubic metres for use by a facility in Big River. Ruggles says Big River town officials are working with a consultant, the government, a number of the Sakaw shareholders and other forest companies to see what type of potential forestry-related facility could be built in the community.